

STATE BUDGET AND CONTROL BOARD

REGULAR SESSION

MEETING OF May 15, 2007

ITEM NUMBER 4

AGENCY: General Services Division

SUBJECT: Department of Health and Environmental Control Lease (Farrow Road)

The Department of Health and Environmental Control (DHEC) currently leases 68,020 square feet of office space at 8901 Farrow Road in Columbia, to house its Bureau of Land and Waste Management staff of 252. The current lease expires on June 30, 2007. The landlord has agreed to contribute \$2 per square foot (\$136,040 total) toward improvements to the premises, and DHEC wishes to remain in this location. The proposed lease would be for a term of five years. The rental rate is \$16 per square foot and includes \$4.54 toward operating expenses. The first year rent will be \$1,088,320, with a five percent per year cap on operating expense escalations after the first year. Assuming operating expenses increase at five percent per year, the maximum rent over the five year term is \$5,604,848. The lease was approved by JBRC at its May 2, 2007, meeting.

BOARD ACTION REQUESTED:

Approve the proposed lease for DHEC at 8901 Farrow Road in Columbia for a term of five years with a maximum rent of \$5,604,848 over the term of the lease.

ATTACHMENTS:

Agenda item worksheet; Lease Summary; SC Code of Laws Section 1-11-55 and 1-11-56

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 15, 2007

Regular Agenda

1. Submitted by:

- (a) Agency: General Services Division
- (b) Authorized Official Signature:


M. Richbourg Roberson, Director

2. Subject: Department of Health and Environmental Control Lease (Farrow Road)

3. Summary Background Information:

The Department of Health and Environmental Control (DHEC) currently leases 68,020 square feet of office space at 8901 Farrow Road in Columbia, to house its Bureau of Land and Waste Management staff of 252. The current lease expires on June 30, 2007. The landlord has agreed to contribute \$2 per square foot (\$136,040 total) toward improvements to the premises, and DHEC wishes to remain in this location. The proposed lease would be for a term of five years. The rental rate is \$16 per square foot and includes \$4.54 toward operating expenses. The first year rent will be \$1,088,320, with a five percent per year cap on operating expense escalations after the first year. The total rent over the five year term is \$5,604,848. The lease was approved by JBRC at its May 2, 2007 meeting.

4. What is the Board asked to do? Approve the proposed lease for DHEC at 8901 Farrow Road in Columbia for a term of five years.

5. What is recommendation of Board Division involved? Approve the proposed lease.

6. List of Supporting Documents:

- (a) Lease Summary
- (b) SC Code of Laws Section 1-11-55 and 1-11-56

**DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL
(Farrow Road)
SUMMARY OF LEASE**

CURRENT LEASE

DHEC has been at 8901 Farrow Road in Columbia since 1994 and wishes to remain at the present location. Present lease rate is \$15.77 per SF.

PROPOSED LEASE

Lease Approved by: DBSI Housing, Inc. - Steven Winger, VP of Leasing
DHEC - R. Douglas Calvert, Chief of Staff
Adequate Funds: Yes; budget approval form received April 4, 2007
Multi-Year Plan: Yes, included in budget approval form
Up-fit Cost Fair: N/A
Space Allocation: 252 FTEs / 246 SF per FTE
Environ Hazard: None, building built 1987, addition built 2002
Fair Rate:

Date	Agency/Property	Address	Annual Rate
2/2006	USC	220 Stoneridge	\$ 15.40
5/2006	Indigent Defense	1122 Lady St	\$ 15.35
12/2006	Consumer Affairs	3600 Forest Drive	\$ 15.88

Owner: Diversified Business Securities and Investments (DBSI), Inc. dba
DBSI Farrow Road
Use: Office space
Location: 8901 Farrow Road in Columbia
Size: 68,020 SF
Term: Five years
Source of Funds: Revenue and other
Rent Schedule:

Year	Date	Base	Operating	Rate/SF	Rent
1	7/1/2007	11.46	4.54	16.00	1,088,320.00
2	7/1/2008	11.46	4.77	16.23	1,103,964.60
3	7/1/2009	11.46	5.01	16.47	1,120,289.40
4	7/1/2010	11.46	5.26	16.72	1,137,294.40
5	7/1/2011	11.46	5.52	16.98	1,154,979.60
	Total:				\$5,604,848.00
	Average:			\$16.48	\$1,120,969.60

Increases in operating expenses are limited to actual costs, not to exceed 5% annually.

SECTION 1-11-55. Leasing of real property for governmental bodies.

(1) "Governmental body" means a state government department, commission, council, board, bureau, committee, institution, college, university, technical school, legislative body, agency, government corporation, or other establishment or official of the executive, judicial, or legislative branches of this State. Governmental body excludes the General Assembly, Legislative Council, the Office of Legislative Printing, Information and Technology Systems, and all local political subdivisions such as counties, municipalities, school districts, or public service or special purpose districts.

(2) The Budget and Control Board is hereby designated as the single central broker for the leasing of real property for governmental bodies. No governmental body shall enter into any lease agreement or renew any existing lease except in accordance with the provisions of this section.

(3) When any governmental body needs to acquire real property for its operations or any part thereof and state-owned property is not available, it shall notify the Office of General Services of its requirement on rental request forms prepared by the office. Such forms shall indicate the amount and location of space desired, the purpose for which it shall be used, the proposed date of occupancy and such other information as General Services may require. Upon receipt of any such request, General Services shall conduct an investigation of available rental space which would adequately meet the governmental body's requirements, including specific locations which may be suggested and preferred by the governmental body concerned. When suitable space has been located which the governmental body and the office agree meets necessary requirements and standards for state leasing as prescribed in procedures of the board as provided for in subsection (5) of this section, General Services shall give its written approval to the governmental body to enter into a lease agreement. All proposed lease renewals shall be submitted to General Services by the time specified by General Services.

(4) The board shall adopt procedures to be used for governmental bodies to apply for rental space, for acquiring leased space, and for leasing state-owned space to nonstate lessees.

(5) Any participant in a property transaction proposed to be entered who maintains that a procedure provided for in this section has not been properly followed, may request review of the transaction by the Director of the Office of General Services or his designee.

SECTION 1-11-56. Program to manage leasing; procedures.

The State Budget and Control Board, in an effort to ensure that funds authorized and appropriated for rent are used in the most efficient manner, is directed to develop a program to manage the leasing of all public and private space of state agencies. The board's regulations, upon General Assembly approval, shall include procedures for:

(1) assessing and evaluating agency needs, including the authority to require agency justification for any request to lease public or private space;

(2) establishing standards for the quality and quantity of space to be leased by a requesting agency;

(3) devising and requiring the use of a standard lease form (approved by the Attorney General) with provisions which assert and protect the state's prerogatives including, but not limited to, a right of cancellation in the event of:

(a) a nonappropriation for the renting agency,

(b) a dissolution of the agency, and

(c) the availability of public space in substitution for private space being leased by the agency;

(4) rejecting an agency's request for additional space or space at a specific location, or both;

(5) directing agencies to be located in public space, when available, before private space can be leased;

(6) requiring the agency to submit a multi-year financial plan for review by the board's budget office with copies sent to Ways and Means Committee and Senate Finance Committee, before any new lease for space is entered into; and requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period; and

(7) requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period.